

**RULES
OF
TENNESSEE STATE OIL AND GAS BOARD
STATEWIDE ORDER NO. 2
PRODUCTION**

**CHAPTER 1040-4-5
COMMINGLING AND AUTOMATIC
CUSTODY TRANSFER OF HYDROCARBONS**

TABLE OF CONTENTS

1040-4-5-.01	Permission to Commingle	1040-4-5-.05	Operational Limitations
1040-4-5-.02	Notice Publication	1040-4-5-.06	By-Pass Lines
1040-4-5-.03	Granting Permission	1040-4-5-.07	Test for GPM
1040-4-5-.04	Meter Calibrations	1040-4-5-.08	Retention of Reports

1040-4-5-.01 PERMISSION TO COMMINGLE Permission to commingle gas and/or liquid hydrocarbons and to measure and transfer custody of liquid hydrocarbons by use of methods other than customary gauge tanks may be obtained without the necessity of a public hearing, in the absence of protest, as hereinafter provided, and upon strict compliance with the procedure set forth herein.

- (1) Detailed schematic diagram of the mechanical installation to be used with adequate explanation of the flow of gas and/or liquid hydrocarbons and indicating locations of locking devices and seals to provide assurance against, or evidence of, tampering.
- (2) Statement by the producer that in his opinion the use of the proposed method will provide reasonably accurate measurement and will not create inequities.
- (3) A list of all known interested parties, including operators and royalty owners, affected by the application.

Authority: T.C.A. §§60-104. **Administrative History:** Original rule was certified May 24, 1974.

1040-4-5-.02 NOTICE PUBLICATION Notice of the filing of an application for projects applicable to this section shall be published in a newspaper of general circulation in the county wherein the field is located.

Authority: T.C.A. §§60-104. **Administrative History:** Original rule was certified May 24, 1974.

1040-4-5-.03 GRANTING PERMISSION Upon the basis of application as herein provided, no permission for projects applicable to this section will be granted if, in the judgment of the Supervisor, the data and information submitted does not warrant the approval of the application or if any party protests the application by filing written protest with the Supervisor within fifteen (15) days following the first publications of the notice of the application; however, in either of the foregoing events, the application may be set for public hearing at the election of the applicant or the Supervisor.

Authority: T.C.A. §§60-104. **Administrative History:** Original rule was certified May 24, 1974.

1040-4-5-.04 METER CALIBRATIONS The applicant shall provide a suitable means of calibrating each meter used for measurement of hydrocarbons in order that its accuracy in operation can be proven, such calibration to be done before or at the time the meter is initially installed and at such intervals or other times as the Supervisor or his agent shall, after consideration of the inherent characteristics of the particular equipment, deem proper. The results of all meter calibrations required by this order shall be certified as being true and correct by the party performing the calibration. These results shall be available upon request to the Supervisor or his duly authorized representative.

(Rule 1040-4-5-.04, continued)

Authority: T.C.A. §§60-104. **Administrative History:** Original rule was certified May 24, 1974.

1040-4-5-.05 OPERATIONAL LIMITATIONS

The approved custody transfer or commingling installation shall be permitted to operate so as to transfer or commingle, as produced, the hydrocarbons produced from the well or wells served by such installation. The limitations on the operation of such installation are as follows:

- (1) The daily production rate from any well or wells must not cause waste.
- (2) Unless otherwise permitted, no production from a well in a prorated pool in excess of the total monthly allowable may be transferred during a calendar month.
- (3) The production from any given well in any one day shall not be increased more than twenty-five percent (25%) of the legally permissible hydrocarbon production from such well or wells.

Authority: T.C.A. §§60-104. **Administrative History:** Original rule was certified May 24, 1974.

1040-4-5-.06 BY-PASS LINES Permission, in writing, from the Supervisor must be obtained for all by-pass lines or other lines that will permit flow around the regular meter, and each such line must have a meter that will permit individual well measurement.

Authority: T.C.A. §§60-104. **Administrative History:** Original rule was certified May 24, 1974.

1040-4-5-.07 TEST FOR GPM Should the application be for the approval of the use of well tests, split stream tests, full stream tests, or other methods of determining GPM of the full well stream test or other method of determining GPM of the full well stream in lieu of gauge tanks and should the application for same be approved, such testing shall be done at least monthly. Applications of this nature shall only be approved when the applicant files with the supervisor an executed copy of an agreement in which all royalty and working interest owners in the leases affected have voluntarily agreed to the proposal.

Authority: T.C.A. §§60-104. **Administrative History:** Original rule was certified May 24, 1974.

1040-4-5-.08 RETENTION OF REPORTS Should approval be given, the applicant shall indicate in the "Remarks" column on current R-MP-1 and R-MP-4 forms that appropriate well tests have been conducted. The applicant shall retain the actual reports of such tests and such reports shall be kept on file, and available for inspection by the Supervisor or any party at interest for a period of not less than three (3) years.

Authority: T.C.A. §§60-104. **Administrative History:** Original rule was certified May 24, 1974.